

## Message Text

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ACTION EUR-12

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SUBJECT: MINISTER BLAMES CHEMICAL INDUSTRY PROBLEMS ON CON-  
STRUCTION AND RAW MATERIALS DIFFICULTIES

REF: MOSCOW 9634

1. SUMMARY: USSR CHEMICAL INDUSTRY MINISTER KOSTANDOV HAS SHARPLY  
CRITICIZED PERFORMANCE IN CONSTRUCTION OF CHEMICAL PLANTS AND  
WARNED THAT UNLESS SITUATION IMPROVES 1980 PRODUCTION GOAL OF 143  
MILLION TONS OF MINERAL FERTILIZER MAY NOT BE MET. HE GENERALLY  
GLOSSED OVER POOR PERFORMANCE OF CHEMICAL INDUSTRY IN 1976 AND  
PUT BLAME FOR FERTILIZER PRODUCTION SHORTFALL THIS YEAR ON SEVERE  
WINTER WEATHER AND SHORTAGES OF GAS. LATTER FACTOR IS SURPRISING  
GIVEN FAVORABLE GAS INDUSTRY PRODUCTION INDICES ACHIEVED IN 1976 AND  
PROBABLY INDICATES THAT INTERNAL GAS DELIVERY REMAINS  
SIGNIFICANT PROBLEM. END SUMMARY.

2. KOSTANDOV, WHOSE MINISTRY HAD DUBIOUS DINTINCTION OF BEING  
ONLY ONE NOT TO FULFILL 1976 PLAN GOALS SO FAR THIS YEAR, REFTEL,  
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HAS WRITTEN LONG ARTICLE IN SOTSIALISTICHESKAYA INDUSTRIYA OF JULY 2

SHARPLY CRITICIZING PERFORMANCE OF CONSTRUCTION MINISTRIES IN BUILDING AND BRINGING ON STREAM NEW CHEMICAL PRODUCTION CAPACITY ON SCHEDULE. HE NOTES THAT 1980 PRODUCTION GOAL FOR MINERAL FERTILIZER IS 143 MILLION TONS AND THAT TO ACHIEVE THIS GOAL INVESTMENT WILL BE DOUBLED IN 1976-80 IN COMPARISON WITH LEVEL IN NINTH PLAN (1971-75). FUTURE APPROACH, ACCORDING TO KONSTANDOV, WILL BE TO BUILD PLANTS WITH GREATER CAPACITY.

3. AS KONSTANDOV DEFINED PROBLEM, INVESTMENTS MUST BE MADE MORE EFFECTIVELY AND SHORTCOMINGS IN CONSTRUCTION WHICH NOW EXIST MUST BE CORRECTED. FIRST, PLANNING INSTITUTES ARE LATE IN PRODUCING DESIGNS, COMMIT ERRORS IN PLANT LOCATION AND PAY INSUFFICIENT ATTENTION TO ECONOMIC INDICATORS OF PRODUCTION. SECOND, ORGANIZATION OF CONSTRUCTION WORK MUST BE IMPROVED BOTH IN SUPPLY OF MATERIALS AND EQUIPMENT AND IN BRINGING NEW CAPACITY ON STREAM. AT PRESENT, 30-40 PERCENT OF NEW CAPACITY DOES NOT BEGIN PRODUCING ON SCHEDULE AND MANY PLANTS ARE FAULTY WHEN COMPLETED. FOR THE FIRST 5 MONTHS OF 1976, PLAN FOR CAPITAL INVESTMENT IN CHEMICAL SECTOR WAS 87 PERCENT FULFILLED. CONSTRUCTION-ASSEMBLY WORK IS PROCEEDING APACE ON ONLY 76 OF 251 PROJECTS AND OF 76 UNITS EXPECTED TO BEGIN PRODUCTION IN THE FIRST HALF OF 1976, ONLY 17 WERE BROUGHT ON. MAIN RESPONSIBILITY, ACCORDING TO KONSTANDOV, LIES WITH MINISTRY OF CONSTRUCTION AND MINISTRY OF CONSTRUCTION OF HEAVY INDUSTRY ENTERPRISES, AMONG OTHERS. AND HE WARNS THAT IF DELAYS IN BRINGING NEW CAPACITY ON STREAM CONTINUE, THERE WILL BE AN "IMPACT" ON FUTURE PLANS FOR PRODUCTION OF MINERAL FERTILIZER.

4. KONSTANDOV SUGGESTS TWO INITIAL MEANS TO IMPROVE SITUATION: CREATION OF A SINGLE BODY FOR CHEMICAL INDUSTRY FOR SUPPLY, ON SCHEDULE, OF MACHINERY AND EQUIPMENT FOR CONSTRUCTION PROJECTS; AND DEVELOPMENT FOR EACH MAJOR PROJECT OF SINGLE "DIRECTIVE DOCUMENT" WHICH WOULD COVER CONSTRUCTION SCHEDULE, YEARLY INVESTMENTS, LEVEL AND PACE OF MATERIAL SUPPLY, INCLUDING EQUIPMENT, AND SPECIFY TASKS OF ALL ORGANIZATIONS INVOLVED IN CONSTRUCTION.

5. KONSTANDOV THEN BRIEFLY DEALS WITH 1976 PRODUCTION SHORTFALL OF MINERAL FERTILIZER. SOME "HUNDREDS OF THOUSANDS OF TONS" LIMITED OFFICIAL USE

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ARE OWED THE COUNTRY AND HE SPECIFIES UNITS WITH MOST SEVERE SHORTCOMINGS AS "AZOT" PRODUCTION ASSOCIATION, AND BALAKOVO, CHEREPOVETZ, KRASNODAR, AND MELEUZ CHEMICAL PLANTS. MAJOR BLAME, HOWEVER, PLACED ON "SEVERE WINTER" AND "GAS SHORTAGES" AND HE PROMISED SHORTFALL WOULD BE MADE UP IN "NEAR TERM".

6. COMMENT: KONSTANDOV'S ARTICLE BLAMING CONSTRUCTION INDUSTRY FOR BASIC PROBLEMS, PRESENT AND ANTICIPATED, IN MEETING

CHEMICAL INDUSTRY PRODUCTION GOALS APPEARS TO BE ATTEMPT TO DEFLECT WHAT MUST BE SEVERE CRITICISM OF HIS MINISTRY'S POOR PERFORMANCE IN 1976. CONSTRUCTION PROBLEMS NO DOUBT ARE SERIOUS AND KONSTANDOV ALSO SEEMS TO BE SETTING UP EXCUSE IF FUTURE GOALS ARE UNMET.

7. ARTICLE IS MOST INTERESTING FOR ITS ONE-OVER ON CURRENT MINERAL FERTILIZER OUTPUT SHORTFALL AND BLAME PUT ON WEATHER AND GAS SHORTAGES. LATTER FACTOR IS SURPRISING IN VIEW OF GOOD GAS INDUSTRY PRODUCTION RECORD SO FAR IN 1976 AND INDICATES INTERNAL DELIVERY PROBLEMS MUST BE FAIRLY WIDESPREAD. GIVEN SERIOUS CONSTRUCTION AND MATERIAL SUPPLY PROBLEMS DESCRIBED BY KONSTANDOV, IT WOULD APPEAR CURRENT DIFFICULTIES IN CHEMICAL INDUSTRY WILL LIKELY BE PROLONGED.  
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